MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of The Financial Examination of **DENTAL HEALTH SERVICES, INC.** A Domestic Insurer.	)))))	No. G04-43 FINDINGS, CONCLUSIONS, AND ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

BACKGROUND

An examination of the financial condition of **DENTAL HEALTH SERVICES, INC.** (the Company) as of December 31, 2002, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a limited health care service contractor. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on March 29, 2004. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 2 through 21 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **DENTAL HEALTH SERVICES, INC.** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, this being the Instructions and Comments and Recommendations contained in the examination report on pages 2-5.

1. The Company is ordered pursuant to RCW 48.43.097, RCW 48.44.095, and WAC 284-07-050(2) to file annual statements in accordance with the NAIC Accounting Practices and Procedures Manual and Annual Statement Instructions for the proper completion of the annual statements. Instruction 1, Examination Report, page 2.

2. The Company is ordered to update its software so that historical reports can be compiled from its database, or retain hard-copy reports as of year-end in accordance with RCW 48.05.280 which requires full and adequate accounts and records of the Company's assets, obligations, transactions and affairs. Instruction 2, Examination Report, page 4.

3. The Company is ordered to file all inter-company agreements with the Washington State Office of the Insurance Commissioner in compliance with RCW 48.31.C.040(2)(c)(v) . Instruction 3, Examination Report, page 5.

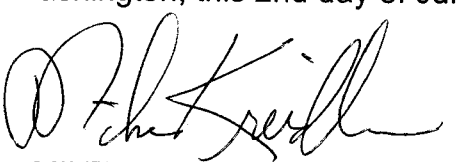
4. The Company is ordered to consider writing, testing, and implementing a Disaster Recovery Plan that includes appropriate escalation procedures to resolve operational failures in a timely manner as promulgated by NAIC Guidelines. Comments and Recommendations 1, Examination Report, page 5.

5. The Company is ordered to consider preparing a Business Contingency Plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities as required by NAIC Guidelines. Comments and Recommendations 2, Examination Report, page 5.

6. The Company is ordered to consider creating a procedure manual for the processing of claims and handling of claim inquiries. Comments and Recommendations 3, Examination Report, page 5.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 2nd day of June, 2004.



MIKE KREIDLER
Insurance Commissioner

Dental Health Services
Northlake Plaza
936 N. 34th Street
Suite 208
Seattle, WA 98103

April 13, 2004

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
P.O. Box 40259
Olympia, WA 98504-0259

Dear Mr. Odiorne:

Thank you for your March 29th letter and the draft of our financial examination report as of December 31, 2002. Below please find our comments relating to the instructions and other sections of the draft report:

INSTRUCTIONS

1. **NAIC Annual Statement Errors and Misclassifications**

   a) **Holding Company Disclosure**
   The Company has modified its response to questions 1.1 through 1.3 of Part 1 of the General Interrogatories in its post 2002 filings.

   b) **Reclassification of Hospital/Medical Benefits to Claims Adjustment Expense**
   The Company has noted the required reclassification for its Claims Adjustment Expense and made the appropriate changes to its post 2002 quarterly and annual filings.

   c) **Unpaid Claims Adjustment Expense**
   The Company has noted the required computations for its Unpaid Claims Adjustment Expense and made the appropriate changes to its post 2002 quarterly and annual filings.

   d) **Accident and Health premium Due and Unpaid/Health Care Receivable**
   The Company has noted the required classification applicable to 2002 annual statement.

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(800) 248-8108
FAX (206) 624-8755

www.dentalhealthservices.com

Dental Health Services

Northlake Plaza
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Suite 208
Seattle, WA 98103

e) **Admitted Asset Disclosures**
The Company has noted the disclosure requirements and made the appropriate changes to its future filings.

f) **EDP Equipment and Software**
The Company, as instructed, has written off its EDP equipment valued below $25,000 in its 2003 filings in accordance with RCW regulations.

g) **Money Market**
The Company has noted the required classification for its future filings.

h) **Exhibit 9 – Furniture, Equipment and Supplies Owned**
The Company has made the appropriate changes to the Exhibit 9 of the annual statements.

2. **Historical Reports/Limitations of Computer System**
The Company recognizes the issue and respectfully informs the Commissioner's office that because it closes its books and records on April 30th and not December 31st each year, there were certain restrictions which prevented the Company from providing the Premium Income data in the requested format; however, the data was readily available in other formats.

3. **Inter-Company Agreements**
The Company recognizes the required filing of all initial and amended agreements between its affiliated companies.

The Company respectfully informs the Commissioner's office that on or about June 9th, 2000 in conjunction with the correspondence with the Office of Insurance Commissioner ("OIC") relating to the Company's executed Depository Agreement dated April 6, 2000, it did file all its management, service contracts and cost sharing agreements (and all applicable amendments) with its affiliates with the OIC.

The Company has attached copies (marked Exhibits 1 through 4) of the following agreements (and all applicable amendments) with its affiliates between:

a. The Company and Dental Health Services of America, its parent, which provides management support to the Company (mailed to the OIC office on or about June 9, 2000)

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Seattle, WA 98103

b. The Company and Dental Health Services, an affiliate, which provides back office support to the Company (mailed to the OIC office on or about June 9, 2000)

c. The Company and Dental Health Services, an affiliate, for marketing services provided by the Company to its affiliate (mailed to the OIC office on or about June 9, 2000)

d. The Company and Dental Health Services of America, its parent, for Federal Income Tax Allocation (mailed to the OIC office on or about October 18, 2000).

COMMENTS AND RECOMMENDATIONS

1. **Disaster Recovery Plan**
   Due to the Company size, the Company does not maintain a formal Disaster Recovery/Business Contingency Plan. However, the Company has taken appropriate measures (e.g. storing most recent back-up of its membership and other databases and programs off site, developing a "calling tree" in case of catastrophes and major natural and man-made disasters, discussing, identifying and assigning steps to be taken by management and team leaders, etc.) to minimize or eliminate any negative impact of a disaster. Please see attached Exhibit 5 for a sample of such measures.

2. **Business Contingency Plan**
   Please see the Company's response to item #1, above.

3. **Claims Procedure Manual**
   Please see attached Exhibit 6 for the Company's Claims Review and Payment Policies and Procedures.

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www.dentalhealthservices.com

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Seattle, WA 98103

MANAGEMENT AND CONTROL

Officers
Please remove Mr. Wayne Pernell's name from the Company's officers. He is not an officer of the Company.

FOLLOW-UP ON PREVIOUS EXAMINATION FINDINGS

There seems to be two typographical errors under sections 1 (page 10), General, and section 3 (page 11), Underwriting. Please note that year ended 1999 should be changed to year ended 2000 since the Company was not showing any underwriting profits for 1999.

With the exception of the above-mentioned items, the Company has no other comments relating to the draft of its financial examination report.

Sincerely,

Godfrey Pernell, DDS
President
DENTAL HEALTH SERVICES, INC.

TEL (206) 633-2300
(800) 248-8108
FAX (206) 624-8755

www.dentalhealthservices.com

AMENDMENT TO AGREEMENT

The Agreement dated November 1, 1999, between DENTAL HEATLH SERVICES, INC., a Washington corporation ("DSHWA") and DENTAL HEALTH SERVICES OF AMERICA, a California corporation ("DHSAM") providing for certain services to be furnished by DHSAM to DHSWA, is amended as follows:

1. Paragraph 2 is amended to read as follows:

   "This Agreement shall be automatically renewed on January 1, 2001, and on each January 1 thereafter unless either party gives written notice to the other at least sixty (60) days prior to such renewal date that it desires to terminate the agreement effective on December 31st following such notice."

2. Reference at the end of paragraph 3 to "May 1" is changed to "January 1."

3. Schedule 1 is amended to provide that compensation for the period January 1, 2001 – December 31, 2001 is $276,000, payable $23,000 monthly.

Dated: Effective January 1, 2001

DENTAL HEALTH SERVICES, INC.

a Washington corporation

By_____

Godfrey Pernell, President

DENTAL HEALTH SERVICES OF AMERICA,

a California corporation

By_____

Godfrey Pernell, President

Folder:Bd of Dir. Amend. To Agreement 2/26/01/ak

Exhibit 1

AGREEMENT
(DHSAM – PROVIDER)

This Agreement is dated, for identification purposes, November 1, 1999, and is between DENTAL HEALTH SERVICES, INC., a Washington corporation, ("DHSWA") and DENTAL HEALTH SERVICES OF AMERICA, a California corporation ("DHSAM").

RECITALS:

A. DSHWA is licensed by the Washington Insurance Commissioner to arrange pre-paid dental care for groups and individuals.

B. DHSAM has resources with special skills and knowledge in the operations of pre-paid dental programs.

C. The parties desire by this instrument to set forth in writing the terms and provisions of their agreement.

THE PARTIES AGREE AS FOLLOWS:

1. DHSAM shall provide to DHSWA general management services in connection with the operation of DHSWA's prepaid dental plans. DHSAM shall also purchase professional liability, property, business and comprehensive general liability insurance coverage with blanket policies in which DHSWA shall be a named insured.

2. This Agreement shall be automatically renewed on May 1, 2001, and on each May 1, thereafter unless either party gives written notice to the other at least sixty (60) days prior to such renewal date that it desires to terminate the agreement effective on April 30 following such notice.

3. DSHWA shall pay to DHSAM such compensation as may be determined from time to time by the parties for the general management services, plus DHSAM's direct out-of-pocket expenses incurred in connection with the performance of such services; and shall pay to DHSAM its pro-rata allocation of insurance premiums for the insurance coverages, such pro-rata allocation to be determined in accordance with the provisions of Schedule I. Compensation shall be computed annually and paid monthly. Compensation for the current year of the term shall be as set forth in Schedule I hereto. The parties, by mutual agreement, shall determine the compensation to be paid for each year at least sixty (60) days prior to the commencement of such year. If they fail to establish a new rate of compensation, the annual compensation rate for the prior year shall apply. As used herein, "year" shall mean the 12-month period commencing each May 1.

4. DHSAM shall maintain records and provide such information to DHSWA or to the Washington Insurance Commissioner as may be necessary for compliance by DHSWA with the provisions of Washington law. Such records shall be retained for at least 5 years. DHSAM further agrees that this obligation is not terminated upon the termination of this Agreement, whether by recission or otherwise.

DENTAL HEALTH SERVICES, INC.

a Washington corporation

By_____

Godfrey Pernell, President

DHSWA

DENTAL HEALTH SERVICES OF AMERICA,

a California corporation

By_____

Godfrey Pernell, President

DHSAM

SCHEDULE I

(DHSAM – PROVIDER)

Compensation for Period November 1, 1999 – April 30, 2001

$114,000 annually, payable $9,500 monthly

Insurance premiums on blanket policies in which DHSWA is a named or additional insured shall be allocated 15% thereof to DHSWA. This allocation is subject to revision at any time during the term.

AMENDMENT TO AGREEMENT

The Agreement dated November 1, 1999 between DENTAL HEALTH SERVICES, a California corporation ("DHSCA") and DENTAL HEALTH SERVICES, INC., a Washington corporation ("DHSWA"), providing for certain services to be furnished by DHSCA to DHSWA, is amended as follows:

1. Paragraph 2 is amended to read as follows:

   " This Agreement shall be automatically renewed on January 1, 2001, and on each January 1 thereafter unless either party gives written notice to the other at least sixty (60) days prior to such renewal date that it desires to terminate the agreement effective on December 31, following such notice."

2. Reference at the end of Paragraph 3 to "May 1" is changed to "January 1."

3. Schedule I is amended to provide that compensation for the period January 1, 2001 – December 31, 2001 is $384,000, payable $32,000 monthly.

Dated: Effective January 1, 2001

DENTAL HEALTH SERVICES, INC.

a Washington corporation

By_____

Godfrey Pernell, President

DENTAL HEALTH SERVICES

a California corporation

By_____

Godfrey Pernell, President

Folder:Bd of Dir Amend to Agreement DHSCA 2/26/01

Exhibit 2

AGREEMENT

(DHSCA – PROVIDER)

This Agreement is dated, for identification purposes, November 1, 1999, and is between DENTAL HEALTH SERVICES, a California corporation ("DHSCA") and DENTAL HEALTH SERVICES, INC., a Washington corporation. ("DHSWA")

RECITALS:

A. DHSCA is licensed by the California Commissioner of Corporations to operate a Knox-Keene Healthcare Service Plan (Dental).

B. DHSWA, is licensed by the Washington Insurance Commissioner to arrange prepaid dental care for groups and individuals.

C. DHSCA has experienced staff and other resources in the prepaid dental care field which DHSWA desires to utilize.

D. The parties desire by this instrument to set forth in writing the terms and provisions of this agreement.

THE PARTIES AGREE AS FOLLOWS:

1. DSHCA agrees to furnish to DHSWA the following services in connection with DHSWA's prepaid dental programs: claims administration, capitation processing, enrollment processing, membership services, computer and data processing, and accounting and regulatory reporting. Such services shall be performed by DHSCA personnel and in accordance with schedules established by the parties from time to time.

2. This Agreement shall be automatically renewed on May 1, 2001, and on each May 1 thereafter unless either party gives written notice to the other at least sixty (60) days prior to such renewal date that it desires to terminate the agreement effective on April 30 following such notice.

3. DHSWA shall pay to DHSCA such compensation as may be agreed upon by the parties, plus DHSCA's direct out-of-pocket expenses incurred in connection with the performance of its services hereunder (e.g. postage, printing). Compensation shall be paid monthly. Compensation for the current year of the term shall be as set forth in Schedule I hereto. The parties, by mutual agreement, shall determine the compensation to be paid for each year at least sixty (60) days prior to the commencement of such year. If they fail to establish a new rate of compensation, the annual compensation rate for the prior year shall apply. As used herein, "year" shall mean the twelve-month period commencing each May 1.

4. DHSWA is furnishing to DHSCA marketing services pursuant to a separate agreement between them. Fees and charges under that agreement will be charged against fees and charges under this Agreement and DSHWA shall remit monthly to DHSCA the net charges hereunder after offset.

5. This Agreement supersedes and replaces all prior agreements between the parties which provide for DHSCA to furnish administrative and other services to DHSWA.

DENTAL HEALTH SERVICES, INC.

a Washington corporation

By_____

Godfrey Pernell, President

DHSWA

DENTAL HEALTH SERVICES

A California corporation

By_____

Godfrey Pernell, President

DHSCA

SCHEDULE I

(DHSCA – PROVIDER)

Compensation for Period November1, 1999 – April 30, 2001

$144,000 annually, payable $12,000 monthly

AMENDMENT TO AGREEMENT

The Agreement dated May 1, 1993, between DENTAL HEALTH SERVICES, a California corporation ("DHSCA") and DENTAL HEALTH SERVICES, INC., a Washington corporation ("DHSWA"), providing for certain services to be furnished by DHSWA to DHSCA, is amended as follows:

1. Recital B is amended to read as follows:

   "B: DHSWA has personnel with specialized skills and experience in the marketing of prepaid dental plans."

2. Paragraph I is amended to read as follows:

   "1. DHS has provided, and shall continue to provide DHSCA marketing and sales management services through its personnel skilled and experienced in such areas. DHSWA personnel shall devote the equivalent of approximately one person half time (approximately 20 hours per week) to the performance of its obligations under this agreement."

3. Schedule I is amended to provide that compensation for the contract year commencing May 1, 2001 is $24,000, payable $2,000 monthly.

Dated: February 28, 2001

DENTAL HEALTH SERVICES, INC.
a Washington corporation
By
Godfrey Pernell, President

DENTAL HEALTH SERVICES
a California corporation
By
Godfrey Pernell, President

Folder:Bd of Dir Amend to Agreement DHSCA per 5-1-93 2/26/01/ak

Exhibit 3

AGREEMENT
(DHSWA-PROVIDER)

This Agreement is dated, for identification purposes, May 1, 1993, and is between DENTAL HEALTH SERVICES, a California corporation ("DHSCA") and DENTAL HEALTH SERVICES, INC., a Washington corporation ("DHSWA").

RECITALS:

A. DHSCA is licensed by the California Commissioner of Corporations to operate a Knox-Keene Healthcare Service Plan (Dental).

B. DHSWA, by and through its president, Gary Pernell, has a history of special skill and knowledge in the field of marketing prepaid dental programs and the management of prepaid dental plans.

C. In the past, the parties have operated under an oral contractual relationship whereby DHSWA has performed marketing management services for DHSCA.

D. The parties desire by this instrument to set forth in writing the terms and provisions of their agreement.

THE PARTIES AGREE AS FOLLOWS:

1. DHSWA has provided, and shall continue to provide, to DHSCA the personal services of its president, Gary Pernell ("Gary"). As such, Gary shall provide marketing, sales and general management services for DHSCA as well as such other duties as may be prescribed by the president of DHSCA. Gary, or other qualified personnel of DHSWA approved by DHSCA shall devote the equivalent of approximately one person half time (approximately 20 hours per week) to the performance of its obligations under this Agreement.

2. This Agreement shall be automatically renewed on May 1, 1994, and on each May 1 thereafter unless either party gives written notice to the other at least sixty (60) days prior to such renewal date that it desires to terminate the agreement effective on April 30 following such notice.

3. DHSCA has compensated DHSWA for the services performed through the date of this Agreement. DHSWA shall receive from DHSCA such compensation as may be determined from time to time by the parties. Compensation shall be computed annually and paid

monthly. Compensation for the current year of the term shall be as set forth in Schedule I hereto. Compensation for services of other DHSWA personnel shall be established as needed. The parties, by mutual agreement, shall determine the compensation to be paid for each year at least sixty (60) days prior to the commencement of such year. If they fail to establish a new rate of compensation, the annual compensation rate for the prior year shall apply.

4. DHSWA shall maintain records and provide such information to DHS or to the California Commissioner of Corporations as may be necessary for compliance by DHS with the provisions of the Act and the regulations promulgated thereunder. Such records shall be retained for at least five years. Provider further agrees that this obligation is not terminated upon the termination of this Agreement, whether by rescission or otherwise.

5. This agreement shall automatically terminate on the death of Gary, or upon expiration of a period of ninety (90) continuous days of the physical disability or mental incapacity of Gary, which results in Gary's inability to perform the services required by this Agreement.

DENTAL HEALTH SERVICES
a California corporation

By _____
Godfrey Pernell, President

"DHSCA"

DENTAL HEALTH SERVICES, INC.,
a Washington corporation

By _____
Gary Pernell, President

"DHSWA"

SCHEDULE I

(DHSWA-PROVIDER)

Compensation for Period May 1, 1996 - April 30, 1997

$81,000.00, payable $6,750.00 monthly

AGREEMENT

This Agreement is made at Long Beach, California, on September 30, 2000, between DENTAL HEALTH SERVICES, INC., a Washington corporation ("DHSWA") and DENTAL HEALTH SERVICES OF AMERICA ("DHSAM"), a California corporation.

RECITALS:

A. DHSWA is a wholly owned subsidiary of DHSAM.

B. For federal income tax purposes, DHSAM reports the taxable income/net operating loss of DHSWA, as well as that of other subsidiaries of DHSAM, on DHSAM's consolidated tax return.

C. The parties desire by this Agreement to set forth the manner in which they allocate federal income tax expense and benefit between them.

THE PARTIES AGREE AS FOLLOWS:
Federal income tax expense or benefit shall be allocated between the parties annually in the ratio of their respective taxable income or net operating loss, as the case may be.

DENTAL HEALTH SERVICES
OF WASHINGTON, INC.

By_____

By_____
Godfrey Pernell, President
"DHSWA"

DENTAL HEALTH SERVICES
OF AMERICA

By_____

By_____
Godfrey Pernell, President
"DHSAM"

Exhibit 4

DENTAL HEALTH SERVICES
Business Continuity/Contingency, Disaster Recovery Plan

I. **General**

A. ***Develop and maintain a list of key contacts***, including families, insurance companies, customers, and suppliers. Also consider identifying other service and professional resources, such as engineers and restoration specialists.

B. ***Maintain a closet of emergency supplies on site***, including some food, water, flashlights and batteries, a source of heat, and a source of communication

C. ***Identify key Web sites*** that could help in disaster recovery

D. ***Distribute disaster recovery information to all employees*** in the form of wallet cards or other means that are easily accessible. Distribute two copies of the complete plan to all key employees: one copy for home, one copy for office.

II. **Company**

A. **Employees**

1. **Disaster occurred during business hours**

a. Determine whether any employees are hurt or missing - Fire Evacuation Marshals to take head count
   1. First Aide/Emergency Kit
   2. Emergency Supplies
   3. Facilitate transportation of injured employees to the local hospitals

b. Identify employees traveling, determine a means for communication, consider security issues – Front Desk "out of office" list

c. Review and assess damage to the business arteries.
   1. Electricity
   2. Phone System
   3. PICK Server
   4. File Server
   5. PICK/DPS Database
   6. MAS200
   7. Consider immediate needs, such as space, communications equipment, skills and roles that need replacing immediately. Redeploy people as needed

d. Obtain a current Backup Tape of PICK and File Servers

e. If employees can get home
   1. Utilize a Calling Tree (1 → 5, each of the 5 → 5 other employees) or Department Heads calling their departments. Employee Call List (HR to maintain & keep updated) & Calling Tree (HR to maintain and keep updated)

Exhibit 5

f. If employees cannot get home
   1. Emergency supplies (food, water, blankets, first aid, etc.)

2. Disaster occurred outside business hours

a. Identify and locate all employees – Employee Call List (HR to maintain & keep updated) & Calling Tree (HR to maintain and keep updated)

b. Identify employees traveling, determine a means for communication, consider security issues

c. Key employees to report to the office to review and assess damage to the business arteries.
   1. Electricity
   2. Phone System
   3. PICK Server
   4. File Server
   5. PICK/DPS Database
   6. MAS200
   7. Consider immediate needs, such as space, communications equipment, skills and roles that need replacing immediately. Redeploy people as needed

d. Backup PICK and File Servers

e. Communicate with Department Heads to contact their employees and keep them abreast of the office status

f. Identify and communicate with Groups, Members, Providers, insurance companies, creditors, banks, suppliers and vendors, strategic partners, and analysts

g. Office is operational

   1. Is the building safe?
   2. Telecommute?
   3. Employees report to work at regular hours or modified hours

h. Office is not Operational
   1. Set up Space at a temporary location.

   2. Determine assistance available, such as credit lines, disaster loans and grants, people and expertise, hardware and software, professional bodies, and trade associations

3. Consider technology issues. Were technology partners affected? Are redundant systems operational?

4. Establish plan for alternate postal deliveries

5. Ascertain the status of your assets

6. Contact competitors. Consider outsourcing production to them so you can meet the needs of your customers

7. Assess you financial status. What is your cash position? Cash burn rate? Immediate cash needs? Can you access the cash?

8. Determine whether insurance policies are available covering, for example, key individuals, other life, property, business interruption, and disability.

9. Determine availability of records. Where are the last available financial statements? Check with auditors and attorneys. What records do they have copies of?

10. Does the company have skills and equipment that could assist in disaster recovery if this is a wide-scale disaster (that is, affecting others outside the confines of the company)?

B. Employee Compensation & Benefits

1. ADP Operational – Resume regular bi-weekly payroll processing

2. ADP Non-Operational
   a. Manual Payroll Processing

3. Employees' personal leave, and cash loans or advances

C. Banking

1. Banks Operational – No action necessary
2. Bank Non-operational
   a. FEMA
   b. Disaster Loans
   c. Other cash sources

D. Electricity

1. Services Not Affected – No action necessary
2. Temporary (under 7 days) Power Failure – Gas Generator
3. Long Term (more than 7 days) Power Failure -

Dental Health Services
CLAIMS REVIEW AND PAYMENTS - WASHINGTON
Policy and Procedures

I. OBJECTIVE
The objectives of the Claims Department are to ensure excellent customer service, timely benefit determinations, and timely and accurate payments.

II. PRE-AUTHORIZATION OF CLAIMS
For preauthorization of pre-service claims, the claimant is notified of the authorization or denial within 15 days after receipt of the claim. This period may be extended one time for up to 15 days provided that such an extension is necessary due to matters beyond the control of the Plan and the Plan notifies the claimant of the circumstances requiring the extension within 5 days of receipt of the claim.

In the case of a failure by a claimant to follow the Plan's procedures for filing a pre-service claim, the claimant is notified of the failure and the proper procedures to be followed within 5 days following the failure. Notification may be oral, written or electronic.

III. POST- SERVICE CLAIMS
All uncontested post-service claims are paid within 30 working days. The Plan notifies the claimant of any adverse benefit determinations within 30 days. This period may be extended one time for up to 15 days provided that such an extension is necessary due to matters beyond the control of the Plan and notifies the claimant, prior to the expiration of the initial 30-day period, of the circumstances requiring the extension. .

In the event a claim is wholly or partially denied, the claimant is notified in writing of the Plan's adverse benefit determination within 30 working days. Determination or payment is made within 30 working days of receipt of all necessary information.

IV. URGENT CARE CLAIMS
In the case of a claim involving urgent care, the claimant is notified within 72 hours after receipt of the claim. If the claimant fails to provide sufficient information to complete the claim, the claimant is notified of the needed information or proper procedures to be followed within 24 hours. Notification may be oral, written or electronic. Upon receipt of the needed information for a complete claim, the claimant is notified of the benefit determination within 48 hours after receipt of the specified information.

V. ADVERSE DETERMINATIONS
In the case of an adverse benefit determination, a *Denial Notice* is sent to the claimant. If the denial was for urgent care, supporting protocol or information is provided orally to the claimant within 3 days and written/electronic within 6 days after receipt of the claim.

Exhibit 6

If an internal rule, guideline or protocol was relied upon in making the determination, a copy of the protocol is provided free of charge to the claimant upon request. If the denial was based on medical/dental necessity or experimental treatment or similar exclusion, either an explanation of the scientific or clinical rationale or a statement that such explanation will be provided free of charge upon request is provided. Relevant documents, information, records and descriptions of the Plan's policies are available to the claimant.

The *Denial Notice* includes the following:

1. Specific reason for the adverse determination,
2. Reference to the specific plan provision on which the benefit determination is based,
3. A statement that the claimant is entitled to receive upon request and free of charge, reasonable access to copies of all documents, records and other information relevant to the claim,
4. A statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about this policy,
5. The statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

VI. PENALTY

Approved claims not paid within 45 working days, will automatically include interest of 15% per annum or $15 per year (whichever is greater) beginning with the first calendar day after the 45th working day period. Failure to automatically pay the penalty without requiring the claimant to submit a request will necessitate an additional payment of $10 to the claimant.

VII. APPEALS AND DISPUTES

All claim decisions that are contested or appealed are treated as grievances and are tracked by the Grievance Coordinator. The Dental Director, or designated dentist, reviews the claim and makes a determination. Appeals are decided by a reviewer other than the one providing the initial review and if the decision is based on medical judgment the consulting dentist is other than the one used during the initial review process. Secondary appeals are referred to the Peer Review Committee which is comprised of non-employee dentists.

Urgent care appeals are decided within 72 hours. Pre-authorization appeals are decided within 30 days. Post-service appeals are decided within 60 days.

Enrollees have 180 days to appeal an adverse benefit determination.

All providers are notified that we have a dispute resolution mechanism, including the location and phone number where disputes and information regarding disputes may be submitted.

VIII. EXCEPTIONS

Dental Health Services may delay payment of an uncontested portion of a complete claim for reconsideration of a contested portion of that claim so long as we pay the $15 or 15% interest, whichever is greater.

Dental Health Services will not delay payment on a claim from a provider to await the submission of a claim from another provider, without citing specific rationale for the delay and will provide monthly updates regarding the status of the claim and our action to resolve the claim.

This policy and these penalties shall not apply to claims about which there is evidence of fraud and misrepresentation to eligibility determinations, or in instances where the plan has not been granted reasonable access to information under the provider's control.

X. TERMS and DEFINITIONS

Adverse benefit determination: a denial, reduction, termination or a failure to provide or make payment in whole or in part for a benefit. This includes determinations based on eligibility, utilization review, or medical necessity.

Complete claim: a submitted claim is deemed complete upon submission of a completed ADA Attending Dental Statement, HCFA 1500 or its electronic equivalent and reasonable relevant information requested by the plan.

Notice / notification: the delivery or provision of information to an individual in a manner that satisfies the standards of ERISA 29 CFR Part 2560.

Post-service claim: any claim for a benefit after the medical/dental care has been provided.

Pre-service/preauthorization claim: any claim requesting approval of the benefit in advance of obtaining medical/dental care.

Urgent care claim: any claim for medical/dental care in which delay of the determination could seriously jeopardize the life or health of the claimant, the ability of the claimant to regain maximum function, or would subject the claimant to severe pain that cannot be managed without the care or treatment that is the subject of the claim.

Unfair billing pattern: means engaging in a demonstrable and unjust pattern of unbundling of claims, upcoding of claims, or other demonstrable and unjustified billing patterns.

XI. COMPLIANCE

This policy complies with and is pursuant to Washington and OIC regulations, and ERISA rules and regulations 29 CFR Part 2560.

Policy and Procedure: **Claims Review and Payments - WA** Approved by VP of Health Services: 6-2-03 Approved by VP of WA: 6-2-03 Approved by Board of Directors: